

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED

MAY 1 4 15 PM '01

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

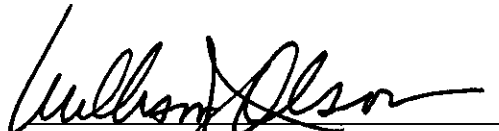
Experimental Presorted )  
Priority Mail Rate Categories )

Docket No. MC2001-1

ASSOCIATION OF PRIORITY MAIL USERS, INC.  
FIRST SET OF INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS THOMAS M. SCHERER (APMU/USPS-T1-1-8)  
(May 1, 2001)

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission,  
the Association of Priority Mail Users, Inc. hereby submits interrogatories and requests for  
production of documents. If necessary, please redirect any interrogatories and/or requests to a  
more appropriate Postal Service witness.

Respectfully submitted,



William J. Olson

John S. Miles

WILLIAM J. OLSON, P.C.

8180 Greensboro Drive, Suite 1070

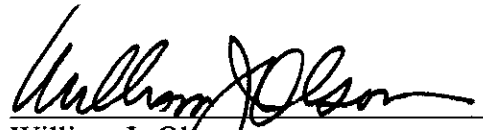
McLean, Virginia 22102-3860

(703) 356-5070

Counsel for Association of Priority Mail Users, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document upon all participants of record  
in this proceeding in accordance with section 12 of the Rules of Practice.



William J. Olson

May 1, 2001

**APMU/USPS-T1-1.**

- a. Please confirm, based on your cost estimates, that for each tier of the proposed presort discounts (*i.e.*, the ADC discount of 12 cents, the 3-digit discount of 16 cents, and the 5-digit discount of 25 cents), the pass-through would be 60 percent of estimated cost savings.
- b. If you cannot confirm, or if your answer is anything other than an unqualified affirmative, please explain in detail.

**APMU/USPS-T1-2.**

- a. At pages 8-10 of your testimony, you mention certain reasons for the conservative pass-through of cost savings you employ, but it is not clear why the particular percentage figure (*i.e.*, 60 percent) was chosen. Please explain in detail why the Postal Service is proposing such a low percentage pass-through of the cost savings that would be realized by the presort preparations giving rise to the various discounts, including any calculations involved in making the pass-through recommendation.
- b. Did you consider any factors or contingencies that might cause the estimated cost savings to be even greater than projected? If so, please list them.

**APMU/USPS-T1-3**

- a. If you had more confidence that the cost savings you have estimated for the Priority Mail presort experiment are accurate, would you have proposed a higher percentage pass-through?

- b. Assume that the cost savings currently estimated for the Priority Mail presort experiment are accurate. (i) What percentage pass-through would you recommend? (ii) If less than 100 percent, please explain why.

**APMU/USPS-T1-4**

Please refer to your testimony starting at page 10, line 17, through page 11, line 3.

You state that the proposed discount structure “will attract more mailer interest than ... the old discount” and you “posit that, compared to the old presort discount, relative mailer interest in the proposed presort discount will double to 1.2 – 1.8 percent of total Priority Mail volume.”

- a. On average, how many mailers used the old Priority Mail discount before it was discontinued?
- b. Is it your position that the volume from the 10 or so mailers who ultimately qualify to participate in the experiment will be double the volume of Priority Mail sent under the old (now discontinued) discount?
- c. Or is it your position that if the proposed discount were made available to all Priority Mail users, as was the old discount, the volume from the proposed discounts would result in a doubling? Please clarify whether you are talking about the volume arising solely from Phase I of the experiment, or the volume likely to arise either from Phase II of the experiment or from full implementation.
- d. If it is your opinion that the volume from those mailers who participate in the experiment will amount to 1.2 to 1.8 percent of total Priority Mail volume, what

is your estimate of the percentage of Priority Mail that would take advantage of the presort discount if it were made available to all Priority Mail users?

**APMU/USPS-T1-5**

The minimum volume to qualify for the presort discount is 300 pieces per day (or 500 pounds), as stated in your testimony at page 3 line 2.

- a. Please confirm that a mailer that works 250 days a year and just qualifies for the discount will produce an annual volume of about 75,000 pieces.
- b. Please confirm that a mailer that works 250 days a year and has double the minimum required to qualify for the discount will produce an annual volume of about 150,000 pieces.

**APMU/USPS-T1-6**

Please confirm that if 10 participants in the experiment generate between 18.6 – 18.9 million pieces annually, then (i) on average each participant will produce about 1.9 million pieces, and (ii) a participant that generates about 1.9 million pieces annually will exceed the minimum requirement by approximately 25 times.

**APMU/USPS-T1-7**

Please refer to your testimony at page 4, line 6, which states that the Postal Service will seek participants of diverse size.

- a. What is the annual Priority Mail volume of the smallest participant expected to participate in the experiment?
- b. What is the annual Priority Mail volume of the second smallest participant expected to participate in the experiment?
- c. Please confirm that if some participants in the experiment have annual volume of less than 1 million pieces, and the average annual volume for all 10 participants is about 1.9 million, then some participants will necessarily have to have annual Priority Mail volume in excess of 2 million pieces.
- d. What is the Postal Service's best estimate of the number of Priority Mail users with annual volume in excess of 2.5 million?

**APMU/USPS-T1-8**

During the last two years of the old presort discount (11 cents) for Priority Mail, what was the estimated pass-through of cost savings?